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Montana State Legislature  
House Committee on Agriculture  
1301 E. 6<sup>th</sup> Ave.  
Helena, MT 59601

2/20/13

*Filed via electronic submission to committee secretary*

**RE: HB 502, Relating to Farm Mutual Insurance - NAMIC's Written Testimony in Support of Proposed Legislation**

Dear Representative Lee Randall, Chair; Representative Christy Clark, Vice Chair; Representative Kathleen Williams, Vice Chair; and members of the House Committee on Agriculture:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committees for the February 21, 2013, public hearing. Unfortunately, I will not be able to attend the public hearing.

NAMIC is the largest and most diverse property/casualty trade association in the country, with 1,400 regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders and writing in excess of \$196 billion in annual premiums that account for 50 percent of the automobile/ homeowners market and 31 percent of the business insurance market. More than 200,000 people are employed by NAMIC member companies. NAMIC has 121 members who write P. & C. Insurance in the State of Montana, which represents 44% of the marketplace.

NAMIC supports the proposed legislation for the following reasons:

**1) The proposed legislation is pro-consumer** – All insurance consumers, including farm mutual insurance consumers, benefit from robust market competition in the insurance marketplace. HB 502 will stimulate insurance market competition, because the bill will allow farm mutual insurance companies to address insurer risk retention in a manner that is consistent with and more suitable to the business standards and needs of the reinsurance market. When farm mutual insurers have a vast array of reinsurance products and providers available to them, they can offer more competitive insurance products and price-points to farm mutual insurance consumers.

**2) HB 502 is supported by the Division of Insurance and consistent with regulatory modernization** – The proposed legislation maintains the regulatory oversight authority of the commissioner and grants the commissioner discretion to work with the regulatory code to protect the interests of insurance consumers and promote the health of the insurance

marketplace. Section 1 of the proposed legislation specifically states that “the commissioner *may* waive . . . or revoke the waiver of requirements of the managing general agent under Title 33, Chapter 2, Part 16, for a person managing the property and liability business of a resident domestic farm mutual insurer.”

**3) The proposed amendment to Section 33-4-502(3) MCA will better align the risk retention regulation of farm mutual insurers with other mutual insurers** – The proposed amendment, supported by the Montana regulator, states that “a farm mutual insurer’s retention on a single liability risk may not exceed the greater of 3% of the admitted assets or \$50,000.” Current law on liability risk retention for farm mutual insurers is vague and has been interpreted as not allowing retention of any liability. The reinsurance marketplace is getting smaller in number each year and reinsurers are requiring farm mutual insurers to retain some of their liability risk as well as the property risk, as part of the reinsurance agreement. Therefore, HB 502 is necessary to clarify the law and allow farm mutual insurers to retain a reasonable amount of their liability risk so that they can secure reinsurance, something non-farm mutual insurers are currently allowed to do by law.

Since HB 502 promotes the best interest of consumers, insurers, reinsurers, and regulators, NAMIC respectfully requests that you **VOTE YES on HB 502** and promote pro-consumer market competition.

Thank you for your time and consideration of NAMIC’s written testimony. Please feel free to contact me at 303.907.0587 or at [crataj@namic.org](mailto:crataj@namic.org), if you have any questions pertaining to my written testimony.

Respectfully,



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NAMIC’s Western State Affairs Manager